

FOOD DISTRIBUTION 2000

***TRANSFORMING FOOD DISTRIBUTION FOR THE
NEXT MILLENNIUM***



FINAL REPORT

**USDA'S REINVENTION PLAN
FOR CHANGE**

November 27, 2000

USDA's Reinvention Plan for Change

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Introduction and Background

Section I: Problems in the Commodity Program

The problems and concerns identified by the reinvention effort are:

- Commodities come in a form that is difficult for some schools to use
- Uneven flow or bunching of commodities
- Unpredictable delivery of commodities
- Increasing cost of the final product
- Fewer bids from industry
- Decreasing ability to provide market support for commodities with limited demand
- Lack of information in food recall situations
- Products on hold remain in schools too long
- Reimbursement for recalls is uncertain and lengthy
- Inadequate communication system
- Excessive paperwork and documentation
- Resource constraints at all levels

Section II: Improvements to the Commodity Program

USDA is taking the following actions to improve the commodity program:

Procurement and Specifications

1. Expand the use of long-term contracts
2. Test best-value contracting
3. Update product specifications
4. Allow vendors to use commercial labels

Commodity Processing

5. Move toward national umbrella contracts with processors
6. Expand full substitutability of commodity product
7. Work with States to test the seamless commodity distribution concept
8. Facilitate the processing of commodities with limited demand

Commodity Holds and Recalls

9. Develop written hold and recall procedures
10. Reduce the duration of product holds at the school level
11. Publish commodity recall reimbursement procedures

Communication/Pilots/Other Improvements

12. Provide computer connectivity to the school level
13. Provide a single USDA point of contact
14. Work with States and partners to pilot-test improvements
15. Other Improvements: Facilitate use of 4/11 funds; encourage cooperatives; and relax truckload requirements
16. Streamline paperwork and reporting requirements

Introduction and Background

The commodity program in schools has two primary objectives. One is to assist U.S. agricultural producers by buying products under price-support and surplus-removal programs. The other is to support the school lunch program by providing nutritious, high-quality food to school children. These two objectives should be met in an effective and efficient manner so that as much money as possible is used to purchase food and as little as possible is wasted or spent on nonvalue added activities. Each dollar that goes for unnecessary storage or other nonvalue added costs -- and each dollar that goes for food that kids won't eat -- is a dollar wasted.

Over the years, the commodity program has grown and has been improved. However, these improvements have not kept up with changes in the food industry, in schools, in technology, and in consumer preferences. In September 1998, the Commodity Improvement Council (CIC), made up of four USDA Under Secretaries, called a meeting to learn more about problems and challenges facing the commodity program. The CIC heard presentations by the Presidents of the American School Food Service Association and the American Commodity Distribution Association, and reviewed letters and other material that had been received.

As a result of this meeting, the CIC launched the largest reinvention effort ever initiated for commodity programs and perhaps the largest ever done in the Department. The effort was called *Food Distribution 2000* and involved staff from four USDA agencies, schools, State agencies, and industry. Reinvention teams made up of representatives from many of these groups met over several months to develop recommendations. The teams reported through a Senior Oversight Committee made up of senior USDA managers. The teams presented their final recommendations to USDA in August 1999. This final report and action plan is based on those recommendations as well as other suggestions received by USDA through e-mail, by letter, or in person.

This document has two sections. Section I describes the problems identified by the various constituencies involved in the program. Section II describes the planned solutions.

Section I

Problems in the Commodity Program

The following is a summary of the problems and concerns identified by the reinvention effort:

- Commodities come in a form that is difficult for some schools to use
- Uneven flow or bunching of commodities
- Unpredictable delivery of commodities
- Increasing cost of the final product
- Fewer bids from industry
- Decreasing ability to provide market support for commodities with limited demand
- Lack of information in food recall situations
- Products on hold remain in schools too long
- Reimbursement for recalls is uncertain and lengthy
- Inadequate communication system
- Excessive paperwork and documentation
- Resource constraints at all levels

- **Commodities come in a form that is difficult for some schools to use**

Commodities sometimes come in a form that is not suitable for some students, school kitchen staff, or processors. For instance, many schools are short on trained staff and need products that require minimal preparation, but commodities are purchased in a less processed form and often require substantial staff preparation. Students' tastes have also changed over the years and many now prefer more processed products. These problems are made more difficult when the Department buys less popular commodities. Also, processors sometimes get commodities in a form that is different from their usual commercial product and, therefore, charge more to process the items. The opposite is also true. Some schools prefer to cook from scratch or have a certain number of staff they must keep employed and don't want a processed product.

- **Uneven flow or bunching of commodities**

Schools don't always get the right quantity of product when they need it. Schools would usually like product delivered in equal amounts throughout the school year. Many agricultural markets, on the other hand, need support at a specific time of the year. For example, ranchers pasture cattle in the summer and want to sell them in the fall so they don't have to buy feed through the winter. This is one reason schools get large quantities of beef in a short period of time and must store it over many months. This storage results

in extra costs and a gradual decline in product quality. In addition, many commercial storage and transportation companies are not prepared to handle product that comes in large quantities rather than smaller, equally spaced deliveries.

- **Unpredictable delivery of commodities**

In many areas commodity delivery is unpredictable. Commodity deliveries to States and schools are supposed to be made in a 2-week window but are sometimes late.

Commercial distributors, on the other hand, are normally able to pinpoint deliveries to a specific day. Some States supply anticipated commodity delivery date information to their schools. Often, these schools use this anticipated delivery information to plan their menus. If the commodity product does not arrive as anticipated, schools are forced to purchase the product commercially. Then, when the commodity product does arrive, it must be stored until the product is placed on the menu again. Other States, in order to provide more predictable deliveries to schools, wait until commodity product is delivered to notify schools of its availability. This makes unpredictable deliveries transparent to schools, but often results in longer inventory storage times and thus extra costs and product deterioration.

- **Increasing cost of the final product**

Although commodities are provided “free” from USDA, there are many costs involved for the recipients. Most States levy a per-case or a per-pound charge to cover transportation and storage costs and sometimes State salaries and expenses. (Some States do not charge their schools because the State has provided money to cover these costs.) These charges have been increasing to the point that, in some cases, schools can buy products less expensively commercially. For example, if flour is ordered and a school pays a high per-case charge, it could be less expensive for the school to purchase flour directly from its commercial distributor.

- **Fewer bids from industry**

An increasing number of States are having trouble getting an adequate number of bidders for the storage, delivery and processing of commodities. In addition, a number of schools are getting fewer bids for their commercial food purchases. In some cases USDA is also getting fewer bids from commodity suppliers. Reasons for this include changes in the food industry such as an emphasis on just-in-time delivery versus long time storage, relatively low-volume deliveries to schools, the move toward long term supplier/customer relationships, cumbersome State and Federal contracting methods, outdated or difficult specifications, and industry consolidation. This shrinking competition results in higher costs and could eventually result in no service at all.

- **Decreasing ability to provide market support for commodities with limited demand**

Several trends have led to concern over USDA's ability to continue to provide market support for less popular commodities, i.e., continue to purchase and find recipients willing to accept these products. These trends include schools asking for more say in the products they receive, the changing tastes of school kids, an increase in kids' ability to go somewhere else for lunch, and a trend away from extensive local preparation.

- **Lack of information in food holds or recalls**

When USDA puts a commodity product on "hold" for possible food safety problems, there is often a delay in information flowing to schools that tells them what the problem is and how serious it may be. School and State staffs receive calls from concerned parents and others and have little information to share. This leads to decreasing confidence in commodities and damages relationships up and down the entire chain of partners.

- **Products on hold remain in schools too long**

When products are put on hold in schools by USDA, they often remain in storage for long periods of time -- sometimes for weeks or even months. This increases the chance that the commodities may be mistakenly served and thus could endanger school children. Holds also cause significant storage problems for schools, particularly where the products are refrigerated or frozen.

- **Reimbursement for recalls is uncertain and lengthy**

When a hold or recall takes place, the schools and States often don't know what costs, if any, will be reimbursed and when they can expect to receive the funds. For instance, a school might be paying for commercial storage of a product on hold yet will have no idea when, how much, or even if it will be reimbursed for these costs. This results in major cash flow and budgeting problems for schools. In some cases, reimbursement is not received for months or even until the following budget year.

- **Inadequate communications system**

Currently there is no consistent, effective way to quickly communicate with those at the school level. The ordering process is cumbersome with schools often unaware of the full range of products that are available. In those instances where USDA or a State knows a

delivery is delayed, there is no effective way to communicate this information to thousands of school districts. Equally important, when there is a food safety problem, there is no quick way to provide immediate and critical information to schools. In addition, USDA has vast amounts of information on products and prices that could be valuable to schools when making their commercial purchases. There is not currently an efficient system to share this information with those who need it.

- **Excessive paperwork and documentation**

Extensive paperwork and control procedures are required of schools, States, industry, and processors in some areas of the commodity program. Ordering procedures, the processing program, and recall reimbursement are pointed to as areas where there are excessive controls and paperwork. Not all of the paperwork is a result of Federal requirements; some is due to State requirements which vary widely across the country.

- **Resource constraints at all levels**

Generally speaking, schools, States, and Federal agencies are experiencing increasing pressure to do more with fewer resources. Most have fewer staff than they did several years ago. In many cases, technology has not been incorporated to the extent it could be and business is being done essentially as it was many years ago. As a consequence, there are responsibilities for each group that are not being fulfilled. There is continuous pressure to become more efficient and effective.

Section II

Improvements to the Commodity Program

Solving the problems in the commodity program requires implementing a number of improvements. In developing these improvements, USDA has taken into consideration the needs of agricultural producers and school children, the two primary customer groups, as well as the needs of other partners. USDA is taking the following actions to improve the commodity program:

Procurement and Specifications

1. Expand the use of long-term contracts
2. Test best-value contracting
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4. Allow vendors to use commercial labels

Commodity Processing

5. Move toward national umbrella contracts with processors
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Procurement and Specifications

1. Expand the use of long-term contracts

Original USDA proposal

Long-term contracts are defined as those that run the length of the school year. Currently, USDA uses long-term contracts for 25 commodities. The remaining 171 commodities are purchased weekly, biweekly, monthly or quarterly. Of these 171 commodities, many are fruit and vegetable products which are purchased once a year for delivery over several months.

There are several substantial benefits to long-term contracts. One is that USDA is more likely to be considered a preferred customer versus a “fill-in” customer. This can result in fewer order cancellations and more predictable deliveries. USDA’s long-term contracts for cheese have resulted in fewer unfilled orders and lower prices. Long-term contracts align the program’s purchasing system more closely with that in private industry. Many companies plan their production and inventory at least a year ahead so they can better manage their costs and reduce nonvalue-added costs. Depending on how long-term contracts are implemented, USDA could buy certain products when the market needs support, but have vendors deliver them when needed by the customer. This would essentially transfer much of the storage problem to vendors who are more suited to handle it. For some products, long-term contracts that anticipate historical surplus periods would let recipients know in advance when they will receive larger volumes.

Long-term contracts may not be suited for all commodity products. Particular industries may prefer short-term commitments; or USDA may not be able to develop an acceptable procedure for pricing over a long time period. Moreover, long-term contracts may be especially beneficial if implemented with an Internet-based ordering system. USDA supports small and minority businesses through set-aside programs. Consideration of these programs needs to continue as part of the contracting process.

USDA has already implemented long-term contracts for many cheese items. It will test the use of long-term contracts in other product areas, review the results, and adopt them where they work well. Tests will be performed beginning in School Year 2000/2001.

Summary of public comments

- Schools – Commenters supported this proposal.
- State Agencies – The majority of commenters supported this proposal, but concerns were noted over possible negative effects on small business.
- Industry – Commenters supported this proposal.

Action

USDA will proceed with expansion of long-term contracts as practical and where market considerations do not negate the value of their implementation.

2. Test best-value contracting

Original USDA proposal

Best-value contracting means that low bid is not the only criterion taken into account when awarding a commodity contract. The following areas could also be considered in the evaluation: percentage of on-time deliveries, percentage of completed shipments, willingness to replace product and resolve complaints, adherence to specifications, and effectiveness of quality assurance and food safety systems. A best-value system would take these other critically important factors into account in awarding bids, and provide an incentive for companies to go “the extra mile” in customer service.

Best-value contracting, long-term contracting, and commercial packaging make vendors more responsible for product liability and food safety concerns. A long-term relationship is built with vendors, making it a worthwhile investment for them to provide quality products and service. The current low-bid award process provides little incentive for a company to perform beyond a minimally acceptable level. Even if it excels in performance, it can lose the next bid by a quarter of a cent per pound. Note that because of the complexity added to the award process, best-value contracting is better suited for longer-term contracting.

USDA will test the effectiveness of best-value contract awards in all commodity areas in School Year 2000/2001.

Summary of public comments

- Schools – Commenters supported this proposal, with the condition that clear, objective criteria are established.
- State Agencies – Commenters supported this proposal, except as noted above.
- Industry – Commenters supported this proposal.

Action

USDA will test best-value contracting as proposed.

3. Update product specifications

Original USDA proposal

Over the years, there have been changes in commercial product formulation, pack size, packaging materials, and other items that may not be reflected in current USDA specifications. Bringing USDA products in line with commercial product specifications will make it less likely that production plants will need special production runs and special packaging materials in order to produce USDA commodities. This should lower costs, reduce delivery and production delays, and open the business to more competition.

USDA has had numerous inquiries concerning light and heavy syrup in canned fruit and concerning the fat content in beef. After a careful review, USDA has decided to continue purchasing light syrup, but may purchase fruit of another specification when it determines light syrup is not available or may delay a purchase. This change will reduce many of the delays that have been associated with these products in the past. USDA will continue to provide beef with its present fat content for products that go to schools without further processing. Also, USDA will provide additional options to schools that order products for processing. This increased flexibility will allow schools to meet dietary guidelines, serve a desirable product and reflect commercial practices. USDA will implement these changes as soon as possible.

In addition to the above changes, USDA will convene a series of meetings with industry groups to examine each commodity specification and make necessary changes. This process will begin by August 30, 2000.

Summary of public comments

- Schools – Commenters supported this proposal, provided that USDA move forward with caution to assure that quality, safety, and nutrition are not compromised.
- State Agencies – Commenters supported this proposal, with exceptions as noted above. In addition, concerns were expressed that prices might increase.
- Industry – Commenters supported this proposal.

Action

USDA is proceeding to update product specifications as outlined in the proposal. Quality and nutrition will continue to be carefully weighed whenever specification changes are made.

4. Allow vendors to use commercial labels

Original USDA proposal

USDA now allows commercial labels on a limited number of products. A number of schools have said that, even though the commodity items are of high quality, the generic labels imply a lower quality. Commercial labels will help address this issue. In addition,

the use of commercial labels should reduce delivery delays, increase competition, and reduce program costs.

Companies will continue to have the option of using USDA labels. USDA will work with States to revise current inventory and record keeping requirements at the school level since it may now be difficult for schools to distinguish between a commodity and a commercially purchased item. Also, the issue of competitor labeled products in the distribution system will have to be addressed. Implementation will occur in School Year 2000/2001.

Summary of public comments

- Schools – Commenters expressed concern about their ability to meet existing record keeping and inventory requirements. There was also some concern regarding the ability to identify the responsible party when product deficiencies are encountered.
- State Agencies – Commenters were generally in support of this action, provided the reporting requirements are revised.
- Industry – Commenters were generally in support of this action.

Action

Based on concerns raised by schools, USDA will delay implementation of this proposal until inventory and record keeping issues are resolved. Implementation is anticipated in School Year 2001/2002.

Commodity Processing

5. Move toward national umbrella contracts with processors

Original USDA proposal

Currently, some schools cannot get processed products. Although States would continue to be free to enter contracts with processors of their choice, national agreements would allow wider and easier access to commodity processing.

Under this change, processors would apply to USDA rather than to numerous State agencies for approval. Processors now have to sign contracts with each State they do business in, i.e., if they do business in 15 States, they have 15 contracts. National contracts, that include end product data schedules and other pertinent information, would save countless hours of State and processing company staff time.

USDA will pilot national umbrella contracts on a limited basis in School Year 2000/2001 to attempt to resolve legal issues, resource requirements, and other implementation challenges. If successful, they will be expanded in School Year 2001/2002.

Summary of public comments

- Schools – Most commenters expressed strong support for this action. Some supporters offered suggestions for addressing concerns they saw in the proposal, such as value pass through and quality. At least one commenter expressed concern that small, regional processors would be left out. Commenters that have opposed the overall reinvention effort as unnecessary also opposed this proposal.
- State Agencies – Most commenters expressed strong support for this action, while raising specific concerns they believe should be addressed, such as value pass through, quality, participation of small processors, and assurances that this is a State option. Two States did not feel this change is necessary.
- Industry - Commenters expressed strong support for this action. One commenter felt it should be mandatory.

Action

Since most States entered processing contracts before the extended comment period on this proposal closed, USDA will continue working on development of this proposal through School Year 2000/2001. On May 3, 2000, USDA held a public meeting with State, school and industry partners to discuss the proposal and obtain initial input. USDA plans to pilot this concept in School Year 2001/2002.

6. Expand full substitutability of commodity product

Original USDA proposal

Generally, substitution means that a processor can use commercial and commodity product interchangeably. The substituted product must be equal to or better than the product purchased with government specifications. USDA regulations currently allow substitution on 25 different commodity products, and substitution with permission on another 40 products. A pilot program currently permits substitution of meat and poultry on a limited basis.

Substitution is advantageous for schools because it alleviates problems associated with late deliveries and bunching of commodity deliveries. In the purest form of processing, schools could order product from a company's commercial inventory as they needed it, and the company would simply integrate the commodity into its commercial production when it arrived. Large shipments of commodities would be processed by companies into product for commercial accounts. The commodities would no longer have to be stored by the company until they could be processed, and schools would be less likely to receive large quantities of finished processed product from the processor all at once.

Substitution also has advantages for industry. Currently, many companies have to disrupt their commercial processing systems in order to segregate production runs for commodities. This adds cost. In addition, they have little control over scheduling and product flow because they do not know when commodity product will be delivered.

Some companies have chosen not to participate in the commodity program because of these problems.

Because of the potential benefits for school customers, USDA will expand approval of substitution for all commodities beginning in School Year 2000/2001. In some cases, this would be limited to pilot projects to allow further assessment of a number of issues, e.g., grading, accountability, and liability.

Summary of public comments

(Most concerns addressed red meat and poultry issues.)

- Schools – Most commenters, including the many that support this proposal, expressed deep concern with issues concerning domestic origin, accountability, and product integrity. Some offered suggestions for addressing their concerns. Commenters that have opposed the overall reinvention effort as unnecessary also opposed this proposal.
- State Agencies – Many commenters expressed deep concern with issues concerning domestic origin, accountability, and product integrity. Some withheld any support of this concept, pending their satisfaction that these concerns are addressed.
- Industry – Commenters expressed concern with issues similar to those voiced by school and State commenters.

Action

Before making any decision on the substitution proposal as it relates to red meat and poultry products, USDA will continue with the several pilots that test different levels of substitution. USDA's evaluation criteria will include the concerns raised in the comments. USDA will move cautiously and prudently in this area, continually getting feedback from customers and partners.

USDA will move ahead with full substitution for fruit and vegetable products, but with the requirement that Buy-American provisions continue to apply. Full substitution will continue for dairy, grain, peanut, and oil products.

7. Work with states to test the seamless commodity distribution concept

Original USDA proposal

The seamless concept involves schools ordering and receiving commodities from the same entities they now get their commercial products from -- normally distributors. USDA would purchase commodities as it does now, and deliver them to companies designated by a school district. The ordering and delivery of products by schools would be "seamless" regardless of whether it is a commodity product or commercial product.

This concept allows increased volume for distributors and could result in an increased number of bidders and lower costs. The concept also allows schools to consistently get the same product. It can also reduce costs by lessening paperwork.

USDA will work closely with States interested in piloting this approach

Summary of public comments

- Schools – While some voiced support of this concept, most commenters were skeptical that it will work and feel that the idea has not been sufficiently fleshed out to evaluate. Primary concerns focus on accountability and increased paperwork.
- State Agencies – Most commenters were skeptical that this concept will work and feel that the idea has not been sufficiently fleshed out to evaluate. Some were opposed because of potential negative impact on their ability to maintain a State distribution system for other commodities/programs, including disaster assistance. A small number of States expressed support of this concept.
- Industry – All commenters expressed extreme skepticism.

Action

The limited seamless pilots that have been approved will allow USDA to carefully evaluate the feasibility of this concept. Concerns expressed through the comment process will be included in USDA's evaluation of the seamless idea, to the extent possible. USDA will not require States to go to the seamless concept.

8. Facilitate the processing of commodities with limited demand

Original USDA proposal

USDA provides market support for various commodities when it determines they need support. Some products are less popular with schools. In the more demand-driven system that is being proposed, this could result in inadequate purchase support. USDA will take several actions to ensure it can adequately support these markets and still serve school customers.

First, it will more aggressively explore low-cost processing of the product into more appealing forms to be paid for by USDA. An example of this is USDA's current testing of a trail mix containing several products. Second, USDA will test the feasibility of contracting with processors for finished items that can be offered to schools for the cost of processing. For example, if USDA decided it needed to provide market support (a bonus buy) for a fruit product, it would enter into an open-ended contract with a processor to make the product into a turnover before asking schools for orders. States and schools would have the option of ordering either raw product or finished product at processing cost. Third, USDA will provide information on potential processing companies to increase State and school knowledge of all the options available to them.

USDA will strive to pilot this concept in School Year 2000/2001.

Summary of public comments

- Schools – Commenters supported this proposal. However, some suggested that USDA offer these commodities to other food assistance programs and not schools.
- State Agencies – Commenters supported this proposal except as noted above.
- Industry – Commenters supported this proposal.

Action

USDA is implementing methods to facilitate processing of commodities with limited demand.

Commodity Holds and Recalls

9. Develop written hold and recall procedures

Original USDA proposal

USDA will establish written procedures and time frames for any commodity hold or recall that is the result of a safety concern. The procedures will specify that the Under Secretary for Food Safety will be responsible for commodity food safety decisions and will identify one internal point of contact for commodity issues. USDA will issue written procedures on product holds and recalls, including a plan for communication of food safety decisions, and will name an internal point of contact by June 30, 2000.

Summary of public comments

- Schools – Commenters fully supported this proposal.
- State Agencies – Commenters fully supported this proposal.
- Industry – Commenters fully supported this proposal.

Action

USDA will issue and implement these procedures by mid-School Year 2000/2001.

10. Reduce the duration of product holds at the school level

Original USDA proposal

When a product is placed on hold pending a food safety decision, schools will be told within ten days of the hold whether to release it for use or move the product to a safe storage location. In most cases, product that is determined to represent a health hazard will be removed from the school within ten days. If a decision cannot be made within the ten day timeframe, USDA will extend the hold or direct that the product be removed to a safe location. Implementation will take place by June 30, 2000.

Summary of public comments

- Schools – Commenters fully supported this proposal.
- State Agencies – Commenters fully supported this proposal.
- Industry – Commenters fully supported this proposal.

Action

USDA will issue and implement these procedures by mid-School Year 2000/2001.

11. Publish commodity recall reimbursement procedures

Original USDA proposal

USDA will publish recall reimbursement procedures that will specify which costs are eligible for reimbursement, what records are required, how one applies, and what reimbursement timeframes are anticipated. The timing of reimbursements will no longer be dependent on establishing vendor liability. USDA will issue reimbursement guidance by June 30, 2000.

Summary of public comments

- Schools – Commenters fully supported this proposal.
- State Agencies – Commenters fully supported this proposal.
- Industry – Commenters fully supported this proposal.

Action

USDA will issue and implement these procedures by mid-School Year 2000/2001.

Communication/Pilots/Other Improvements

12. Provide computer connectivity to the school district level

Original USDA proposal

USDA will develop a computer system that will allow information to flow to and from schools, States, and industry partners. Computer technology and the development of the Internet make it relatively simple to connect to the school district level. USDA will develop this system in partnership with state and school representatives, as well as other partners, and make it available to States. Some States already have or are developing such a system on their own. A State will have the option of paying for and developing its own system, or accepting the jointly developed USDA system at no cost. A State developing a system on its own will need to ensure that it provides connectivity to the school level, can import and export data in a specified format to the primary system and meets other standardized requirements such as offering the full range of available commodities.

Although development will start this year, actual full-scale implementation is likely to be several years away. It is expected that most schools will have computers in their lunch

operations by that time. In the case of schools that do not have a computer available, the State may collect data manually and enter it at the State level, contract with an outside entity to collect the data, or set up a central school site that could collect and enter manual submissions.

Schools will be able to order quantities and items they need (within the product and quantity limits offered), and obtain status of purchases and delivery information from the system whenever they want. States will continue to oversee the process. Industry partners will have access to information that will allow them to better plan their production and delivery schedules. Perhaps of equal importance, schools can be notified and updated immediately of food safety problems (every hour can make a difference in a food safety situation). Finally, this system will allow access to the vast amounts of information that USDA has available on market trends and products. This information can be of invaluable help to schools in making commercial purchasing decisions.

A team of USDA, State, and school representatives will develop the system. Design will start before September 30, 2000.

Summary of public comments

- Schools – Commenters supported this proposal, but raised questions about by-passing State and district levels and about whether the proposal would work for reservations in the Food Distribution Program on Indian Reservations. For clarification purposes, the computer system would connect to school districts rather than schools. States would be an integral part of the system.
- State Agencies – Commenters supported this proposal, but some questioned the need to connect beyond the State level by going down to the school district level. Concerns on the compatibility of computer systems were also raised. One State did not support this proposal.
- Industry – Commenters fully supported this proposal.

Action

USDA is currently reviewing similar systems and design will begin in early School Year 2000/2001.

13. Provide a single USDA point of contact

Original USDA proposal

USDA will form a task force to develop a technology-driven information contact system so partners or customers will have a single point of contact for a particular issue. This will enable them to hold one meeting with representatives from USDA instead of having to meet separately, as they now do, with representatives from each USDA Agency involved in the commodity program. Existing web sites will be enhanced to provide “one-stop shopping” for commodity inquiries. Until a new computer system is available, USDA will explore adding other information to the delivery order and purchase data now

available on USDA web sites to assist processors and others in tracking commodity deliveries. These changes will be implemented by December 31, 2000.

Summary of public comments

- Schools – Commenters generally supported this proposal. Objections to the proposal were based on the perception that schools would now directly communicate with USDA vs. districts or the State. For clarification, this proposal would not change lines of communication.
- State Agencies – Commenters supported this proposal with the exceptions noted above.
- Industry – Commenters supported this proposal except for one who believed his contacts with USDA would be limited to only one person.

Action

USDA has begun implementation of this idea and will continue to implement this concept in School Year 2000/2001.

14. Work with States and partners to pilot-test improvements

Original USDA proposal

USDA encourages States, customers, and other partners to submit requests for pilots of other concepts that could result in significant program improvement. Pilot requests must have State agency endorsement or sign-off except where the testing is limited to concepts that do not involve a State agency. No additional grant money or funding will be provided for pilots. Applications will be reviewed by appropriate members of the Senior Oversight Committee, which is made up of executive level managers from each of the four USDA Agencies responsible for the commodity program. Interested parties may submit applications to USDA at any time.

Summary of public comments

- Schools – Commenters supported the proposal; however, some had questions about the nature of the pilots, the evaluation process, and whether the final results would be published. For clarification, the pilot summaries are listed on the USDA website and evaluation results will be posted.
- State Agencies – Commenters generally supported the pilots except as noted above.
- Industry – Commenters supported the pilots.

Action

USDA originally authorized twelve pilots to test *Food Distribution 2000* concepts during School Year 2000/2001 and in some cases School Year 2001/2002. USDA will not implement changes without appropriate analysis and review.

15. Other Improvements: Facilitate the use of 4/11 funds for commodity purchases; encourage cooperatives; and relax truckload requirements

Original USDA proposal

USDA will implement or pilot test other improvements. First, USDA will encourage and facilitate the use of Section 4/11 funds in the Department of Defense (DOD) fresh fruit and vegetable program and for additional commodity purchases from USDA. Easier use of 4/11 funds will allow the fresh fruit and vegetable program to grow to its full potential. USDA will establish a working group with States and customers to identify barriers and develop strategies that minimize these barriers for both DOD and USDA purchases. The working group will start by September 30, 2000.

USDA will encourage the development of purchasing and commodity distribution cooperatives by developing resource materials and offering technical assistance. Resource materials will be available by May 1, 2001.

USDA will accept pilot tests to explore relaxing truckload ordering and delivery restrictions. The tests may include allowing mixed truckloads, partial truckloads, and additional stop-offs, and will measure the effect on service, pricing, and competition. Suitable pilots will be approved for School Year 2000/2001.

Summary of public comments

- Schools – Commenters expressed general support for these improvements. Some expressed concerns USDA might be attempting to direct the expenditure of 4/11 funds. In clarification, the final decision as to how to expend these funds remains with the State and/or local schools. USDA is simply offering another option that might increase schools buying power. Others expressed concern about who would direct efforts to encourage coops. The Child Nutrition Division in FNS would oversee this effort.
- State Agencies – Commenters expressed support except as noted above.
- Industry – Overall, commenters did not express either support or opposition to these proposals.

Action

USDA will initiate a working group by February 2001 to identify and minimize barriers to the wider use of 4/11 funds. USDA will develop resource and technical assistance material in School Year 2001/2002 to assist in the formation of cooperatives. USDA will pilot test initiatives involving truckload restrictions in School Year 2000/2001.

16. Streamline paperwork and reporting requirements

Original USDA proposal

USDA will form task forces with its customers and partners to examine requirements and eliminate redundant paperwork or low value-added reporting. This will apply, in particular, to commodity processing and oversight. USDA will strongly encourage States to do the same with schools and other partners. Task forces will begin by December 30, 2000.

Summary of public comments

- Schools – While commenters supported this proposal, some expressed concern that the proposals could lead to increased paperwork.
- States – Commenters supported this proposal.
- Industry – Commenters supported this proposal.

Action

USDA will form task forces as proposed during school year 2000/2001.